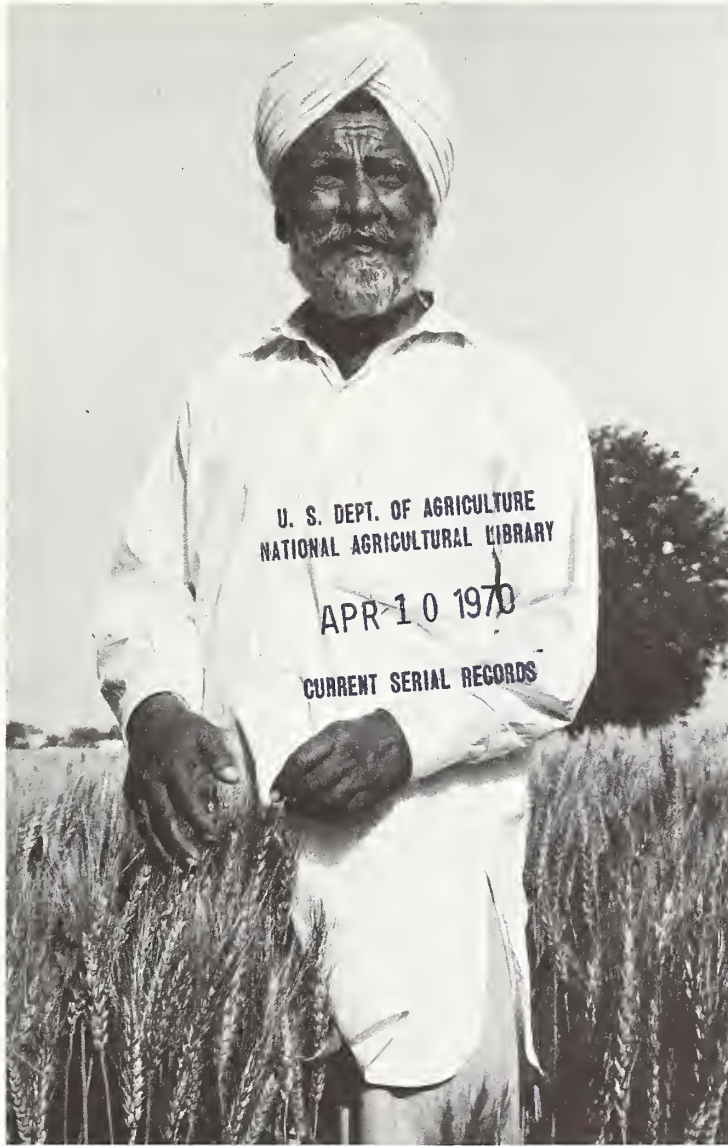


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FOREIGN AGRICULTURE



April 6, 1970

**The Developing Nations and U.S. Trade
Iceland Becomes EFTA's Eighth Member
Agricultural Policies in Finland**

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

In this issue:

- 2 The Developing Nations and U.S. Agricultural Trade By Quentin M. West
- 7 Iceland Became EFTA's Eighth Member in March 1970
- 8 Finland's 1969 Farm Policy Decisions
- 10 Brazil's Rising Tide of Castor Oil Sales on the World Market By Shackford Pitcher
- 12 Uruguay's Agriculture Is Having a Bad Year By Zafirio Zafiriadis and Gordon R. Lloyd
- 15 New Mid-America Council Formed
- 16 "Instant Noodle" Captivates Taiwan
- 17 Crops and Market Shorts

This week's cover:

An Indian farmer, center, stands amidst his crop of Mexican dwarf wheat, a new variety which gives a much higher yield than the traditional varieties such as the one at left. The rapid spread of such new varieties in wheat, as well as other grains, signaled the arrival of the "green revolution" which some feared would adversely affect U.S. farm exports to less developed countries. Speaking at the recent National Agricultural Outlook Conference, Quentin M. West said that these fears were unfounded. For a discussion of the impact of this and other developments on U.S. exports see his article beginning this page.

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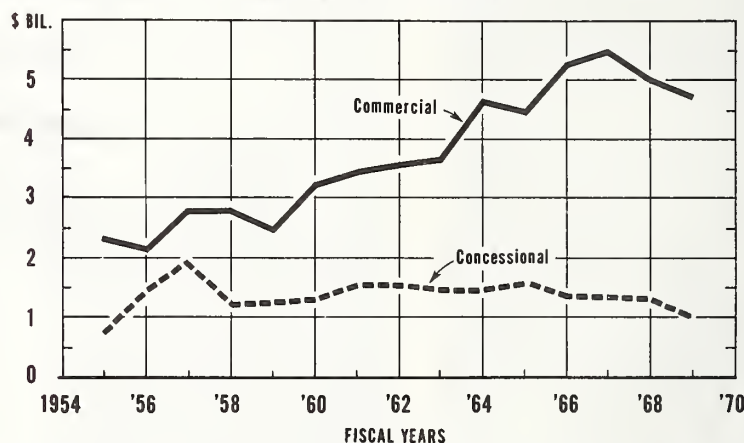
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The Developing Nations

Recent fears that the "green revolution" in the developing nations will permanently hurt U.S. farm exports are without foundation; instead, agricultural development in these nations seems to increase our commercial sales there.

VALUE OF U.S. AGRICULTURAL EXPORTS TO ALL NATIONS

COMMERCIAL AND CONCESSIONAL

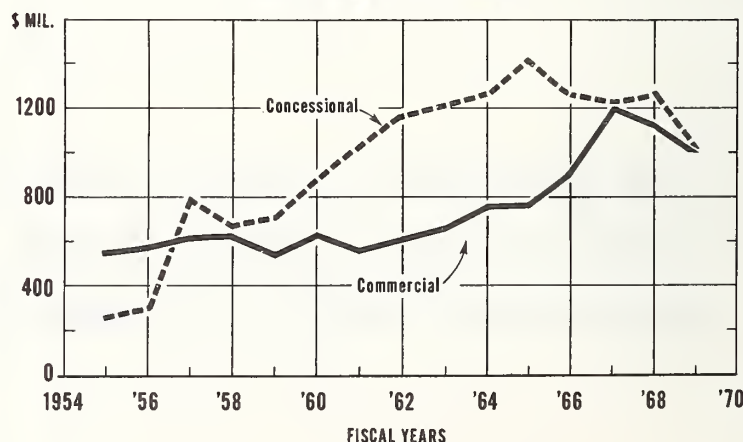


U.S. DEPARTMENT OF AGRICULTURE

NEG. BN35545 FOREIGN ECONOMIC DEVELOPMENT SERVICE

VALUE OF U.S. AGRICULTURAL EXPORTS TO LESS DEVELOPED NATIONS

COMMERCIAL AND CONCESSIONAL



U.S. DEPARTMENT OF AGRICULTURE

NEG. BN35543 FOREIGN ECONOMIC DEVELOPMENT SERVICE

and U.S. Agricultural Trade

By QUENTIN M. WEST, *Administrator
Foreign Economic Development Service*

The role of the developing nations in international trade has recently taken on a new complexion. A few years ago there was concern that the less developed countries (LDC's) were losing the ability to feed themselves, and that massive food aid would be needed. Today, there is a feeling that perhaps the LDC's will, after all, be able to feed themselves for a while and that smaller quantities of food imports will be required. American grain farmers were willing to produce to feed the world. Now that this may be less necessary, they are concerned about the loss of export markets.

These are, however, but the surface manifestations of a number of complex developments. Just how much have advances in agriculture in the LDC's affected the market for U.S. agricultural products? How much have U.S. exports been influenced by other factors—by changes in P.L. 480 food aid policy, production in the developed countries (DC's), better weather in the developing nations, trade restrictions in the developed countries, the dock strike, the closing of the Suez Canal?

These are some of the relationships we must clarify to get a good view of the recent development and trade process. We must, I believe, understand this process in order to make rational decisions regarding our interests in world trade and our responsibilities toward agricultural development in the less developed nations.

Changes in agricultural production

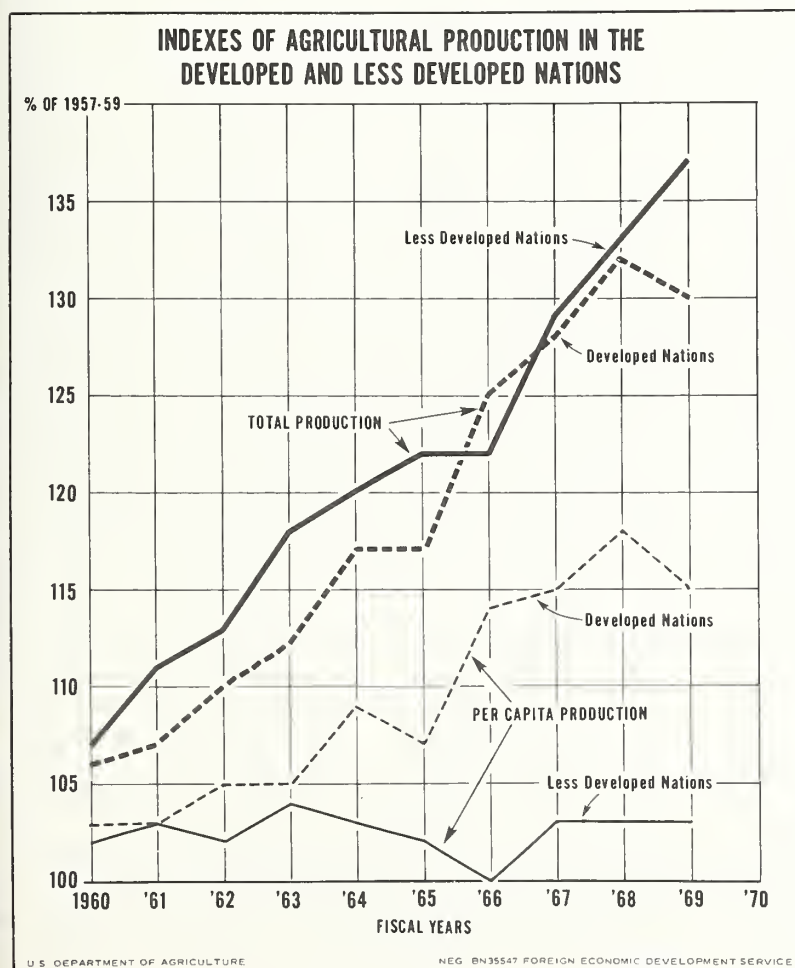
Those projecting a new role for the developing nations in world trade assume significant increases in LDC agricultural production. The record shows that the pattern of production successes is far from even in the developing world.

Total production in the developed and the less developed world increased at about the same rate from 1960 to 1968, as the chart on this page shows. (For the purposes of this section, the LDC's are defined as Asia excluding Communist Asia and Japan; Africa excluding the Republic of South Africa; and Latin American Republics excluding Cuba.) In 1969, LDC production continued up and production in the developed nations declined. On a per capita basis, the story is quite different: while developed-country production increased over the 1960 to 1968 period, LDC production, because of population growth, did not increase. In fact, it declined from 1963 to 1966, and in the last 3 years has only regained the level of the early 1960's. Over the previous two decades, LDC per capita production increased only about a third of a percent per year.

Production changes in the developing world have varied considerably by region (see chart on next page). Since 1963, there has been an increase in per capita production in East Asia; a more gradual increase in West Asia (not shown); a decrease in Africa; and little overall trend in Latin American and South Asia. South Asia (Ceylon, India, and Pakistan) experienced a sharp drop in 1965 and 1966 which led to widespread concern that the world would run out of food. The recovery in the same area over the last 3 years has led to corresponding optimism about the world food situation. The "green revolution" figured in the increase in output of East Asia and the recovery in South Asia.

There has been, perhaps, too much publicity about the "green revolution." It is quite clear from actual production indexes that no output revolutions have occurred, in per capita terms, in Latin America, Africa, and West Asia.

But the rice and wheat story in South and East Asia cannot be denied. The area planted to high-yielding varieties of wheat and rice in South Asia jumped from essentially nothing in the early 1960's to 23.7 million acres during the 1968-69 season (16.0 million of wheat and 7.7 million of rice). East Asia's area planted to IRRI-type rice increased to 3.7 million acres during 1968-69 (principally in the Philippine Republic).



The result of these new varieties, accompanied by improved cultural practices, has been a substantial boost in grain production. So far, this increased output has largely replaced concessional imports. It is doubtful that overall nutrition has yet been significantly improved (in some cases wheat and rice have replaced production of higher protein crops). And it is not yet clear whether this agricultural growth has had much impact on national economic growth.

There are also other advances in East Asia. Taiwan is developing a highly productive and diversified agriculture and is now competing on international markets in some commodities. Thailand has also diversified its agriculture and is an important exporter of corn and pineapple.

There have been fewer advances in Africa and Latin America. Countries there did not face the critical food situation threatening Asia a few years ago; so there has not been as much concern for agricultural development.

Changes in U.S. agricultural trade

As we explore the character of our U.S. agricultural trade—our exports, our imports, and the fierce competition we now face in the international grain markets—we find the developing countries and their “green revolution” are not the heavies they might be considered. We find instead, just a return to a more “normal” concessional export situation and an actual increase in commercial sales with the LDC’s. Our stiffest competition comes from our well-developed neighbors. And, interestingly, we find we depend upon the developing nations more than some may have thought for the bulk of our needed complementary imports. Such dependence should influence our views on LDC efforts to produce more abundantly and efficiently.

U.S. exports.—From fiscal 1955 to 1967, commercial exports climbed while concessional sales, under P.L.480, held about steady (see top chart, p.2). Total exports fell from \$6.7 billion in 1967 to \$5.7 billion in 1969. They are expected to recover to \$6.1 billion this year.

Although concessional sales were much larger than commercial sales to the LDC’s from 1962 to 1966, the difference began to narrow in the late 1960’s. (See bottom chart, p.2; the definition of LDC’s is the same as in the previous section except that all Latin American nations are reported, including Cuba.)

Commercial sales to LDC’s averaged about \$600 million during the first part of the period and then began to rise to higher levels in 1964. It might be asked how there could be an increase when the total level of concessional exports remained little changed. The answer lies in the changing composition of recipient countries. Many developed nations in Europe were included during the 1950’s. Their role declined as that of the LDC’s increased.

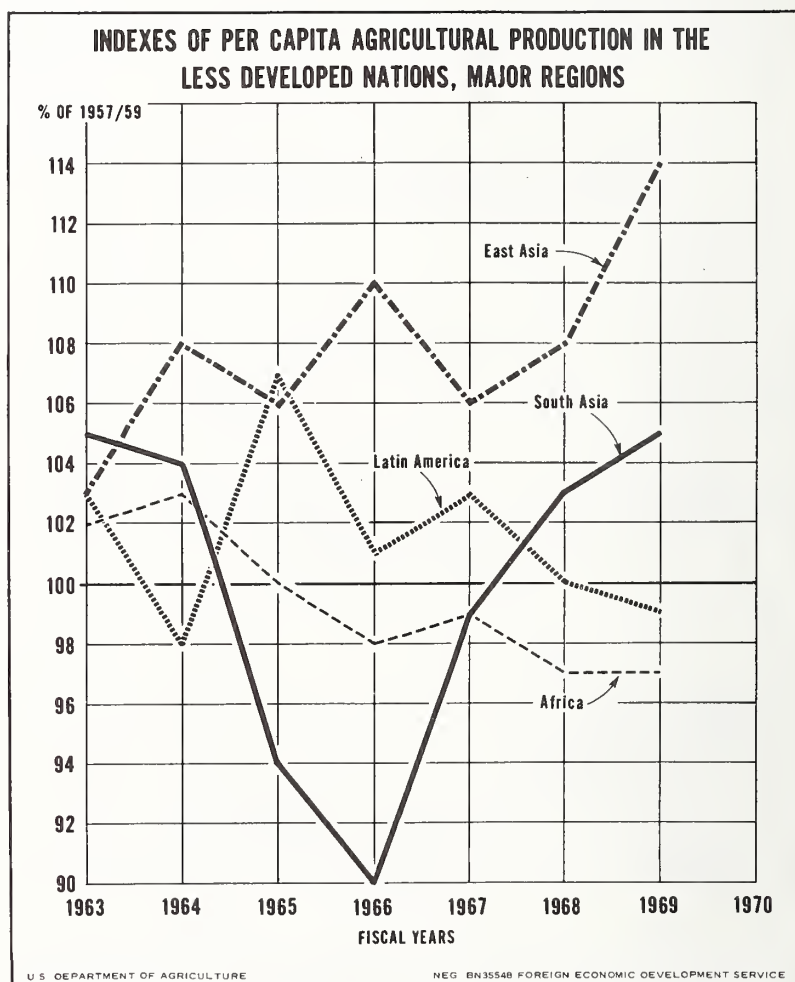
The expansion of commercial sales was particularly sharp in 1967 when they rose to \$1.2 billion and were only slightly less than concessional sales. Commercial sales of wheat to LDC’s in-

creased over 50 percent from 1966 to 1967. Commercial sales stayed close to concessional sales in both 1968 and 1969, though both dropped in the latter year as part of a decline in all export sales. Commercial sales to LDC’s came very close to exceeding concessional sales in 1969 (and, in fact, did so in preliminary data); and they appear likely to do so in the near future.¹

Within the concessional export category, there were significant changes in commodity composition. Wheat and flour exports increased through 1965 and then dropped off. Except for a brief jump in 1957, exports of other commodities held about steady, possibly declining a bit.

There was also a sharp increase in wheat shipments to India and Pakistan. Exports to other nations in 1955-69 showed no particular trend (the first half of the 1960’s was relatively higher, when large wheat shipments were being sent to the UAR). Shipments to Pakistan and India equaled or exceeded those to all other countries from 1965 to 1968. The major reason for the heavy imports was the great drop

¹ The data presented here reflect the new official classification of barter sales: barter for strategic material is grouped with sales under government programs (concessional); overseas supply-type barter, which is considered equivalent to dollar sales, is classified as commercial. See *Foreign Agricultural Trade of the United States*, March 1969, pp. 25-27.



in production in 1965 and 1966 due to monsoon failure. Shipments were continued later to replace depleted grain stocks.

International competition.—The international grain market has been one of the major areas of increased competition, and this competition is coming from the developed nations.

Average annual world grain production in the past 4 years has been 115 million tons larger than in the preceding 4 years (the developed nations account for about 86 million tons of this increase). The recent bumper crops have raised the level of world grain stocks to new highs. Traditional exporters are well supplied with grains. And even traditional importing countries—such as West Germany and Japan—are accumulating sizable grain stocks. These large grain stocks and efforts to dispose of them have sharpened competition in the world market.

The volume of grain offered for export by the LDC's which are not traditional exporters is relatively small. Argentina, for example, has long been a prominent grain exporter; and Thailand and Burma are traditional rice exporters. Thailand has recently become an important corn exporter also. LDC grain production in many cases is relatively high cost in terms of international prices. Moreover, grain marketed by these new LDC exporters is often not of the type or quality in strong demand.

Grain from the developed countries is increasingly becoming available on concessional terms. In the early 1960's, the United States accounted for nearly 98 percent of non-commercial wheat exports; by the mid-1960's this proportion had eased to 94 percent, and during 1969 it dropped to 75 percent. In India, in 1969, the United States provided 71 percent of the concessional wheat imports; the Special Canadian Food Aid Program, 19 percent; and DC members of the International Grains Agreement, 10 percent. What was once almost exclusively a U.S. undertaking is so no longer.

U.S. imports.—In our concern with export markets, we should not forget that the United States is a substantial importer of agricultural products. In 1969, for example, the value of U.S. agricultural imports was \$4.9 billion. The LDC's accounted for nearly two-thirds of the total.

Imports are of two main types: complementary and supplementary. Complementary imports are primarily tropical goods such as coffee, cocoa, and tea. Supplementary imports include products to some extent competitive with U.S. production. Complementary imports come almost entirely (93-94 percent) from the LDC's. Supplementary imports are nearly evenly split, with the DC's holding a slight edge.

The largest supplementary import from the LDC's is sugar. During the 1961-69 period, it accounted for about 43 percent of the LDC total. Horticultural commodities probably represent the next biggest group.

Thus, the LDC's are very important as suppliers of complementary products, and it is to the benefit of American consumers that these products be produced and marketed as efficiently as possible. Agricultural development can be of help in making this possible.

Development and trade

So far, we have discussed development and trade separately; but the two are clearly linked. Agricultural development leads to economic development; this in turn leads to improved income and increased demand for all products, which brings about expanded imports. Since the income

elasticity of demand for food in low-income countries is relatively higher than for nonagricultural products, this means that "agricultural trade will expand faster than total trade."²

Agricultural imports increase for two reasons. First, the growth in demand is often more rapid than increases in production. Secondly, the full range of items desired cannot be economically produced in sufficient quantity or quality locally. Even the United States, with one of the world's most diversified agricultures, imports almost \$5 billion worth of agricultural products.

As incomes increase in LDC's, they also shift from concessional to commercial imports, in part to obtain a broader range of products. The demand for livestock products will increase faster than that for grain. Or, grain consumption may shift from coarse grains to wheat and rice. Thus, the import demand will shift to goods that have a higher income elasticity.

What does this process mean for U.S. agriculture? Several years ago, a study made in the USDA indicated that as per capita incomes grew, the demand for U.S. farm products expanded more than that for the products of other nations because of their higher income elasticity (see Mackie, pp. 33,45). More recently, a somewhat similar analysis for LDC's has suggested a positive relation between both agricultural and economic growth rates and commercial agricultural imports from the United States in the long run.

But there can be vexing short-run problems for developed countries resulting from increased agricultural output. There may be a reduced need for imports of certain products by the LDC's. For example, the "green revolution" has led to some replacement of food aid imports by domestic production of wheat and rice. The LDC's may also increase their exports of certain commodities. For example, Taiwan's agricultural development has led it to become a prominent exporter of canned mushrooms, asparagus, and pineapple. These have disrupted both U.S. domestic and foreign markets. The same is true of Mexican exports of tomatoes. It is difficult to speak of the "long run" to U.S. producers of these products. We have a responsibility to assist these producers in their adjustment problems.

Economic development in LDC's also has both short-run and long-run trade implications for other LDC's. In the short run, the problems may be even more severe than for the United States, especially where LDC's tend to have the same products to export (as with the rice economies of southeast Asia). Over the longer run, FAO's Indicative World Plan indicates a more optimistic outlook; in fact, it suggests that trade with other developing nations may ultimately be more important than exports to the DC's.

Prospects for U.S. exports to LDC's

The prospects for U.S. exports to LDC's may look bright as their economic development progresses; but this is not a market which will just fall into our laps. There will be strong competition for the LDC commercial market, from other developed nations and, for some crops, from other developing nations. The market will not improve equally for all products and some may be disadvantaged. And a combination of participation from other developed nations, a hardening of P.L. 480 terms, and U.S. budget restraints may

² Arthur B. Mackie, *Foreign Economic Growth and Market Potentials for U.S. Agricultural Products*. USDA Foreign Agricultural Economic Report No. 24, April 1965, p. 63.

well spell a continuing downtrend in U.S. concessional shipments of farm products.

Several forces for expansion may affect the outlook for the concessional market. To the extent that U.S. production continues ahead of demand and surplus stocks accumulate, there will be interest in P.L. 480 sales. The program has proven its ability to move U.S. farm products overseas.

Similarly, there is likely to continue to be a strong LDC interest in continuing P.L. 480, though the countries and commodities probably will vary from present patterns. Most of the LDC's continue to experience rapid population growth; agriculture is hard pressed to keep up. When there is a shortfall in production, due to natural conditions or special disasters, food supplies are strained. Turkey is a "green revolution" country in terms of coastal wheat production. Still, poor weather led to the need for P.L. 480 agreements for 800,000 tons of wheat during calendar 1969, the first agreement since 1966, and more are in prospect. Similarly, Pakistan thought that it would have no further need for P.L. 480 imports due to the success of its "green revolution;" yet in 1969, poor weather in East Pakistan led to an emergency request and a recent agreement for 1 million tons of wheat.

In some cases, it is less expensive for LDC's to import products on concessional terms than it is to raise them domestically. The support prices for grains in many LDC countries are above world market prices. And, as much of the population in many LDC's is located in coastal cities, it may be easier to distribute imported products than to move them from the inland. In some nations, the proceeds from the sale of P.L. 480 goods are looked upon as a convenient source of local revenue. Elsewhere, an import demand may stem from a need for special quality products which are not available domestically. In India, for instance, there is a need for hard wheat for baking purposes.

From a development point of view we may not encourage all these reasons—and in some cases we may be working to lessen them (as where we try to improve the marketing of domestic production); but they nevertheless exist.

Forces against expansion

Operating against expansion is the matter of funding and terms in the United States. A peak in expenditures on P.L. 480 was reached during 1963-64. Since that time, the total amount has decreased by nearly half. Moreover, terms have been changed. In the P.L. 480 law as amended on July 29, 1968, the President is directed to: "Take steps to insure a progressive transition from sales for foreign currencies to sales for dollars . . . at a rate whereby the transition can be completed by December 31, 1971."

During the summer of 1969 the terms were hardened still further when the United States discontinued financing the transportation cost, for credit sales, of the 50 percent of cargo required to be shipped in privately owned U.S. vessels. At the same time, other countries—as noted earlier—have become more active in the concessional market.

Increasing concern with foreign debt accumulations by LDC's, a matter which was discussed at length in the Pearson Commission Report,³ could lead to a greater hesitation about entering into P.L. 480 agreements. LDC alternatives could include belt tightening or an intensified search elsewhere for better terms.

³ *Partners in Development* (Report of the Commission on International Development), Praeger, New York, 1969, pp. 153-167.

The result of this combination of forces is likely to be a continuing net downtrend in U.S. concessional exports.

How are these forces reflected in projections for exports of U.S. agricultural products? Let's look at wheat as an example. There will be no slackening in LDC wheat import needs, according to an AID-sponsored demand prospects study now being completed by the Department's Economic Research Service. Indeed, net LDC imports in 1980 are projected to be almost 50 percent higher than during the mid-1960's. Imports would be up fairly evenly in all regions except South Asia, where they would decline. The population growth rate in these regions is high and the wheat demand is quite responsive to an increase in income. On top of this, there has been a shift in consumption patterns to wheat. Furthermore, it is difficult to produce wheat in many parts of the developing world because of climatic or agronomic conditions.

The developed countries will have more than enough wheat to provide these import needs. The questions will be: who will provide it and on what terms? How much will be provided by the United States? Will it be concessional or commercial? Other Department economists, taking into account such factors as budgetary restraints and market conditions, project a gradual increase in overall U.S. wheat exports due to an increase in commercial exports through 1975 (concessional exports are expected to hold about steady or decline in some years). The LDC's will play a role in these increased commercial sales. Among the most promising areas are South Korea, Taiwan, the Philippines, Venezuela, Central America, and the Caribbean.

Implications for development and export policy

In the short run, there have been and undoubtedly will be some adjustment problems for individual commodities; a study of ways to alleviate these difficulties is needed. Over the longer run, the linking of agricultural development with economic growth will increase commercial demand for a wide range of agricultural products and in turn for imports.

The longer run problem then will be for the United States to compete for these commercial markets. Recent increases in grain production throughout the developed world will make competition in this area particularly severe.

But even if agricultural production does increase in LDC's and at the same time the demand for imported commodities also increases, there will be hungry people. This is a problem in our own country; it will be even more critical in the LDC's. Food aid will be needed to provide welfare food programs for the disadvantaged. Then, too, there will be LDC's which do not experience development.

We have, then, a dual situation: where agricultural and economic development is taking place, we will likely see a move from concessional to increased commercial imports; where development is not taking place there will be a continuing need for concessional imports. In either case, there will be strong competition for the market.

In total, I think it unwise to base our export market hopes on someone else's production failures. It is becoming quite clear that solid dollar markets are growing in the developing nations, and it seems to me that it is our place to help these markets grow, through alert marketing of our own products and through assistance to LDC agricultural growth. Agricultural development in these nations is a long, hard, complex struggle; but it is a struggle which must be made for their good and ours.

Iceland Became EFTA's Eighth Member In March 1970

Iceland—land of fire and ice and one of the world's most sparsely populated countries (200,000)—became the eighth full member of the European Free Trade Association (EFTA) on March 1, 1970. The other full members are Denmark, Norway, Sweden, The United Kingdom, Austria, Switzerland, and Portugal. Finland, a ninth country, is an associate member.

One of the most important benefits for Iceland is that as an EFTA partner, it will enjoy duty-free access to EFTA countries (particularly to the United Kingdom) for fish and fish products. Minimum prices for frozen fish fillets have been in effect since January 1, 1970, under an agreement between Denmark, Norway, Sweden, and the United Kingdom. The agreement was further extended to include Iceland on March 1, 1970, effective with Iceland's membership in the trade community.

Thus by joining EFTA, a trade and customs union, Iceland expects to expand its markets for both processed and fresh fish and fish products. An improvement in Iceland's export position—vital to its overall economic health—would enable Iceland to devote increasing resources to much needed industrial development and diversification programs. Fish and fish products contributed approximately 90 percent of Iceland's export earnings in recent years. As an indication of their importance: small herring catches and depressed foreign demand in 1967 and 1968 contributed heavily to serious economic depressions in Iceland.

Under the terms of the Icelandic-EFTA agreement, Iceland will have 10-year periods to remove protective duties on

imports from other EFTA countries. The timetable calls for a 30 percent reduction on existing duties the first year, followed by successive 10 percent reductions beginning in January 1974 with the final 10 percent removed January 1, 1980.

The other EFTA members will grant Iceland duty-free entrance for industrial products. There is no free trade regime for agricultural products with EFTA; however, certain processed agricultural products are treated under industrial categories and not subject to intra-EFTA tariffs. (See "EFTA: Its first 10 years and its alternatives for the future," Marshall H. Cohen, *Foreign Agriculture*, Jan. 26, 1970). Quantitative import restrictions on a number of products will be abolished gradually by 1974. The EFTA council permitted Iceland to reduce all tariffs on raw materials imported from all suppliers by 50 percent and to reduce significantly tariffs on capital equipment on March 1, 1970.

With Icelandic entry, the agreement reached between the Nordic member states and Iceland concerning the establishment of a fund to provide loans and guarantees for the development of Icelandic industries will also become effective. This fund of \$14 million largely will support the development of Iceland's export industries.

Thus, in the relatively short span since the turn of the century, Iceland has developed from a primitive economy to a partner in EFTA—a market containing some of the world's wealthiest countries and normally importing around 20 percent of global imports.

—By MARSHALL H. COHEN
Foreign Regional Analysis Division—ERS

Special Session of Fats and Oils Study Group

A special session of the Study Group on Oilseeds, Oils and Fats, held last month in London, drew about 200 delegates and observers from over 60 countries and 10 organizations.

The meeting, jointly sponsored by the United Nations Conference on Trade and Development and the Food and Agriculture Organization, took place after several months of rising prices and short supplies for nearly all oilseeds and oilseed products. There was less pressure than usual for international action on fats and oils trade problems. Focus of the session, instead, was on whether existing international machinery for consideration of these problems should be revised through creation of a more broadly based consultative committee.

The session was noteworthy for its concentration on economic issues, its recognition of the need for more complete statistical information, and the absence of pressure for a formal international arrangement on fats and oils.

Reflecting the desire of many delegates for increasing the prestige of international consultations on fats and oils matters, the Study Group recommended that its name be changed to the Inter-Governmental Consultative Committee on Oilseeds, Oils and Fats. It also recommended the establishment of a statistical subcommittee, which would include participation by trade and industry experts, to develop the data necessary for more realistic assessments of the problems. Postponed for later decision by FAO and UNCTAD, however, was the question of whether the Committee would continue as essentially an FAO-controlled operation or whether UNCTAD would have equal status with FAO as a parent body.

There was considerable discussion, spearheaded by the Asian coconut-producing countries, of the original Mansholt proposal (December 1968) for an internal European Community tax on oilseed products. Although the EC delegates pointed out that this proposal was in fact only a draft suggestion, submitted to the EC Council of Ministers over a year ago, many countries represented in the Study Group (including the United States) expressed the view that such a measure would be contrary to their agreed goal of expanding world markets through trade liberalization.

Canadian Grain Payment Held Up

Otto E. Lang, Minister Responsible for the Canadian Wheat Board (CWB), announced in early March 1970, that there will be no final payment for wheat, oats, and barley delivered by western grain producers during the 1968-69 crop year because of lower selling prices for western grains during the past year. He stated that during the period covered by the 1968-69 wheat, barley, and oats Pools, export prices have declined to a level where returns will not cover both the initial payments authorized by the Government and the Canadian Wheat Board's operating costs. Preliminary estimates indicate a total deficit of approximately Can.\$48 million, including a special payment to producers delivering durum wheat. Supplementary estimates have been tabled by the Government of Canada to provide funds to reimburse the Canadian Wheat Board for the 1968-69 losses in the operation of these grain accounts.

Finland's 1969 Farm Policy Decisions

The Finnish Government, in an effort to untangle a situation of mounting butter surplus, overproduction of wheat, lack of foreign markets for Finnish farm products, too many farmers on too many small farms, and lagging farm income, initiated a number of new agricultural policies and programs during 1969.

These new policies are aimed at alleviating both longstanding agricultural problems in Finland and some current crises.

Roots of some farm problems

A chief problem of Finnish agriculture—large farm population on a multiplicity of small farms—has its present proportions because of the resettlement of 40,000 farm families in Finland when Finnish Karelia was ceded to the Soviet Union at the end of World War II. Many large holdings were broken up into smaller units, and clearing new land was encouraged and subsidized by the Government. Most of the areas cleared were small tracts wedged between Finland's 60,000 lakes and its extensive forests.

After the resettlement, wheat production was encouraged to increase Finland's agricultural self-sufficiency. Then, when Finland reached near-sufficiency in wheat in 1967, farm legislation was aimed more at maintaining farm income than curbing possible overproduction. Guaranteed prices were established that applied to all a farmer produced of important commodities.

Wheat output in 1968 was the highest recorded (18 percent greater than the 1965-67 average) and was much beyond domestic needs. The 1969 crop was about as great in spite of reduced acreage and dry weather. The 1968 wheat crop created a storage jam, and by the end of the harvest government storage was almost fully utilized. Wheat was held in private storage on farms and in cooperatively owned elevators and warehouses. The privately and cooperatively stored wheat had no market either at home or abroad until the Finnish Government supplied export subsidies in the fall of 1969 that totaled US\$2.4 million.

Present dairy surpluses are also powered by Finland's small, labor-intensive farms, which are suited to dairy operations. The current butter oversupply, however, has been also partly caused by declining home consumption (margarine use is increasing) and loss of foreign markets. Over a period of years Finland has gradually been cut out of markets in most European countries because of surplus butter production in Common Market countries. And in March 1969 the United Kingdom, which was Finland's chief remaining market, cut its import quota for Finnish butter in half.

Butter accumulation within Finland is acute. Stocks are up to 20 percent of total annual production, or nearly 20,000 metric tons. The chief dairy cooperative ran out of in-country storage in June 1969 and was forced to rent facilities abroad.

Agricultural legislation in 1969

The chief piece of farm legislation passed in Finland during 1969 was a new agricultural price act. The new law was to go into effect on April 1, 1970, and remain in force until March 31, 1973. Until April of 1970 the former agricultural price act, passed in 1967, was to be effective.

Under the new law, producer prices of six key commodities—milk, beef, pork, eggs, rye, and wheat—will be adjusted

annually after negotiations between the Government of Finland and the Central Union of Agricultural Producers. If agreement cannot be reached during negotiations, an arbitration procedure will be applied. Ultimately, however, the Government must approve new producer prices. Prices for milk, beef, pork, and eggs will be negotiated for the first time in April, 1970. New prices for rye and wheat will not be set until September.

In principle, commodity price adjustments will not be linked to the cost of living but will be related to production costs, productivity, and the level of earnings of comparable sectors of the population. Under the 1967 act, producer prices were adjusted according to a special formula covering certain consumer prices and costs of farm production.

Price relations between individual commodities may be changed at any time if such a change is considered necessary.

The hardest hitting provision, however, is that producer prices for wheat, milk, pork, and eggs will be reduced 50 percent for the portions of production that exceed outputs of the corresponding commodities in 1968.

The 1969 price law, since it is not tied to a cost-of-living index, may have fewer inflationary tendencies than the 1967 law. It should be of some help in holding down production of items already in surplus, since it establishes production ceilings beyond which farmers will not receive full producer prices for certain items. However, the new price law appears to lack teeth as a tool for supply management. The cost-price adjustments and income-equalization principles will counteract and possibly overpower the clauses designed to reduce overproduction.

Overproduction penalties

Two additional measures were passed at the same time as the new agricultural price act. One was a bill to provide penalties for overproduction of wheat, and the other was a similar bill for milk.

The milk bill provides that a marketing fee will be collected for any deliveries of milk during 1969-70 and after above a specified quantity based on total milk delivered during the 1968-69 farm year. The ceiling quantities on milk deliveries before the marketing fee is collected will decrease each year. For every 20,000 metric tons received in excess of the ceilings, a marketing fee of 0.3 percent of the current producer price will be deducted from the price paid to producers.

The wheat bill also provides a marketing fee to be collected from wheat producers if production exceeds certain standards. If marketings for the previous 3 years average more than 280,000 metric tons of wheat a year, the wheat marketing fee will be collected for the current year from all wheat deliveries. Since deliveries to state granaries in Finland in 1968 and 1969 were much above the average, the amount of wheat that could be delivered in 1970 without incurring the penalty is considerably below 280,000 tons. The marketing fee to be collected is approximately \$7.14 per metric ton.

Both milk and wheat marketing fees became effective on September 1, 1969.

On July 1, 1969, an arrangement was made for return sales of butter at reduced prices (about US\$0.71 per kilogram less than retail prices) to dairy farmers at the rate of

2 kilograms (about 5 lb.) per household per month. This law is a short-term measure that seeks to lessen existing surplus butter stocks. Hopefully this price concession will induce dairymen to consume more butter and less margarine. The dairymen themselves are supposed to cover the cost of return sales by accepting a slightly lowered milk price.

Other special butter laws arranged retail sales of butter at slashed prices in efforts to reduce bulging stocks.

Acreage reserve law

A mechanism for retiring the cropland on some of Finland's too numerous farms became available in April 1969 when a new piece of legislation passed Parliament. Essentially, certain categories of farmers can make voluntary contracts with the Government to put all their cropland in reserve and receive annual payments equivalent to the calculated income from the reserved acreage. Priority in making contracts is given to older farmers or those with handicaps and to farmers with land that is not suitable for amalgamation with neighboring farms. Poorly tilled farms do not qualify. Contracts are made for a 3-year period and can be automatically renewed twice.

Farmers who reserve their acreage can continue to live in

their houses and to grow vegetables and fruits for family use. They can also maintain horses, sheep, goats, or reindeer on the land; but they cannot keep cattle.

By late 1969 reserved acreage had mounted to nearly 210,000 acres. Although the program shows promise, its immediate effect on reducing production of wheat and milk will probably be small. Most of the farms retired were of small size, had unfertile lands, did not keep cattle, and were probably much below average in productivity.

A new bill submitted to the Finnish Parliament was passed on January 9, 1970, to extend the reserve law to land owned by companies, parishes, and other communities.

Legislation related to the acreage reserve law provided for an incentive payment system for the slaughter of dairy cows on farms that retired land. Slaughtering is running considerably behind the target figure—chiefly because most farms that retired land did not keep cattle. The program also had lessened effect because those cows eliminated have generally been the least productive.

A separate law that aimed at taking land out of cultivation passed the Finnish Parliament in June 1969. Under this law a farmer who wants to reforest all or part of his farm's arable land can receive subsidies for the reforestation costs.

Japanese Purchases of U.S. Wheat Have Reached a New High

U.S. wheat sales to Japan, which suffered a setback last year owing in part to quality problems, made a strong recovery in the Japanese fiscal year ending March 30; sales reached a new record of 82.6 million bushels, exceeding last year's sales by 22.2 million bushels. This advance returned the United States to the position of supplying slightly more than half of Japan's wheat requirements. The previous high for U.S. sales was 76 million bushels in 1966.

Japan purchased a record total of 159.3 million bushels of wheat last year, compared with the 143 million bushels in 1968 and the 133.8-million-bushel average of the previous 5 years, 1963-67.

Hard Red Winter wheat, which Japan buys at three protein levels, has comprised about half of the U.S. sales to the Japanese market. Western White wheat as a single market class has been in the lead of Japan's wheat purchases at around 25 million bushels.

U.S. WHEAT SALES TO JAPAN

Class	Average 1963-67	1968	1969
	<i>1,000</i>	<i>1,000</i>	<i>1,000</i>
	<i>bushels</i>	<i>bushels</i>	<i>bushels</i>
U.S. sales:			
Western White	26,255	19,388	25,342
Hard Winter 13 percent	15,233	12,217	17,944
Hard Winter 11.5 percent	12,365	10,672	12,497
Hard Winter Ordinary	9,713	7,294	7,277
Dark Northern Spring 14 percent ¹	4,840	10,377	18,148
Durum ¹	289	412	1,404
Total	68,695	60,360	82,612
Total Japanese wheat purchases	133,832	143,008	159,298
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
U.S. share	51.3	42.2	51.9

¹ These classes of wheat did not enter the market until 1965. Based on Food Agency purchases and Japanese fiscal year April-March.

Japan's total wheat purchases today are 1.7 times their level 10 years ago. In that 10-year period, U.S. sales to Japan increased 2.7 times: in 1960-61 U.S. sales to Japan were 30.6 million bushels, representing 32 percent of the total purchases of 94.5 million bushels.

—By CLANCY V. JEAN
Grain and Feed Division, FAS

Canada, Mexico Agree on Cotton

Canada's Minister of External Affairs, Mitchell Sharp, recently announced an agreement between Canada and Mexico covering the export of cotton yarn into Canada from Mexico. According to Mr. Sharp, the Canadian Government has agreed to revoke immediately a Cabinet ruling that established on November 21, 1969, a surcharge of 50 percent on cotton yarn imported into Canada from Mexico. The surcharge was the result of an earlier failure to reach an agreement with Mexico on cotton yarn export restraints. It was imposed in addition to the 17½ percent ad valorem most-favored-nation tariff.

Under the agreement, Mexico will limit its exports of cotton yarn to Canada to a monthly level of 152,000 pounds during an interim period from March 1 to September 30. There is also provision for an added single ex-quota amount of 76,000 pounds which can be exported during this period.

Mexico—in exchange for the surcharge revocation—has given oral assurance that it will set no impediments to shipments of newsprint and auto parts from Canada, according to Industry, Trade, and Commerce Department officials.

During the interim period, according to Mr. Sharp, the Governments of both countries will work toward negotiating a long-term bilateral agreement.

—Based on dispatch from EUGENE T. OLSON
U.S. Agricultural Attaché, Ottawa



Left, fieldworker examines bunches of castor fruit on a plant almost ready for harvest. Right, worker dumps cut castor bunches for field drying before processing. Trucks in background are loaded with bags of castor seed wait to make deliveries to a large oil mill in Bahia.

Brazil's Rising Tide of Castor Oil Sales

By SHACKFORD PITCHER

U.S. Agricultural Officer, São Paulo

Brazil is the world's chief producer and exporter of that terror of the Victorian child—castor oil; but the major uses of the substance are now industrial and not medicinal, as the quantity of its sales and the identity of its chief purchasers indicate.

In 1969 Brazil exported over 172,000 metric tons of castor oil valued at US\$42.3 million—the greatest annual amount on record and exceeding the previous record year 1965, when foreign sales were 140,152 tons.

Brazil's best castor oil customer is the United States, which took 43 percent of exports in 1968. Next in rank as buyers are France and the Netherlands, which between them bought 41 percent of shipments in 1968.

Castor oil and its derivatives are ingredients in many industrial products. One of its most important modern applications is making synthetic lubricants for military uses; by volume, one of its chief uses is as a quick drying base for paints and varnishes. It is also utilized in the manufacture of plastics, nylon bristles, artificial leather, all-purpose greases, hydraulic fluids, pharmaceuticals, soaps, cosmetics, printing inks, and special low-temperature lubricants.

Brazil's production pattern

Castor plants grow readily in most parts of Brazil as a cultivated crop. They also establish themselves as wild plants along roadways and even in vacant city lots. Small farms that use family labor and hand tools grow most of Brazil's castor crop, but some mechanized large farms also grow it.

Commercial production of castor seed is concentrated in two areas of Brazil—Paraná and São Paulo in the south and Bahia, Ceará, and Pernambuco in the northeast. For many years Bahia has had greater production than any other State in Brazil. In 1968 Paraná displaced São Paulo as the second largest producer; but in 1969 Paraná dropped back to third

place because of damage inflicted by frost.

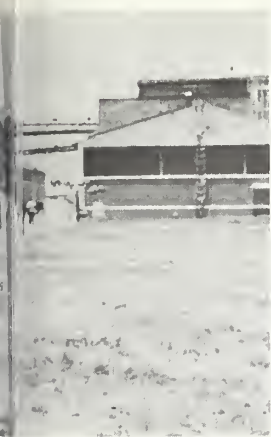
In general, castor requires little care after planting, although use of fertilizer is advisable. In the south fertilizer is often applied to castor crops. The first harvest of a castor field takes place about 6 months after planting. Harvesting of a field commonly takes several weeks as flowers and fruit in all stages of maturity are often found on each plant. The castor bunches, or spikes of fruit, must be cut when they are almost mature; fruit allowed to ripen shatters its seed. After cutting, the bunches of fruit capsules are spread out to dry in the sun and the capsules open and release or eject the seeds. Then, seed is separated from hulls and stems mechanically or by tossing on a screen. After cleaning, the seed is bagged and stored by the farmer until sold.

One of the problems of castor growing in Brazil is that farmers frequently retain seed from their own crops for planting. This practice is particularly common in the northeast and can lead to extensive nonstandardization of crops. For example, a recent study in Bahia encountered 96 different types of castor seed in production. The same practice also prevents many farmers from using selected improved seed that would produce better plants and crops. São Paulo's Agronomic Institute has perfected several types of improved castor seed—predominantly dwarf varieties—that are now widely used in the south but not in the northeast. The dwarf varieties have greater and more uniform production than the older types of seeds, are easier to cultivate, and can be harvested mechanically.

Internal marketing and processing

Although in some areas of Brazil farmers sell and deliver castor seed directly to an oil mill, usually seed is sold to a mill's buying agent or to an intermediary. In parts of northeastern Brazil, castor seed may even be bartered for goods at the local country store.

Producer prices for castor seed are strengthened by a Government of Brazil price support program, which sets minimum prices that must be paid by processors if they are to



harvest. Above, trucks
port city of Salvador,
of capsule from seeds.



en the World Market

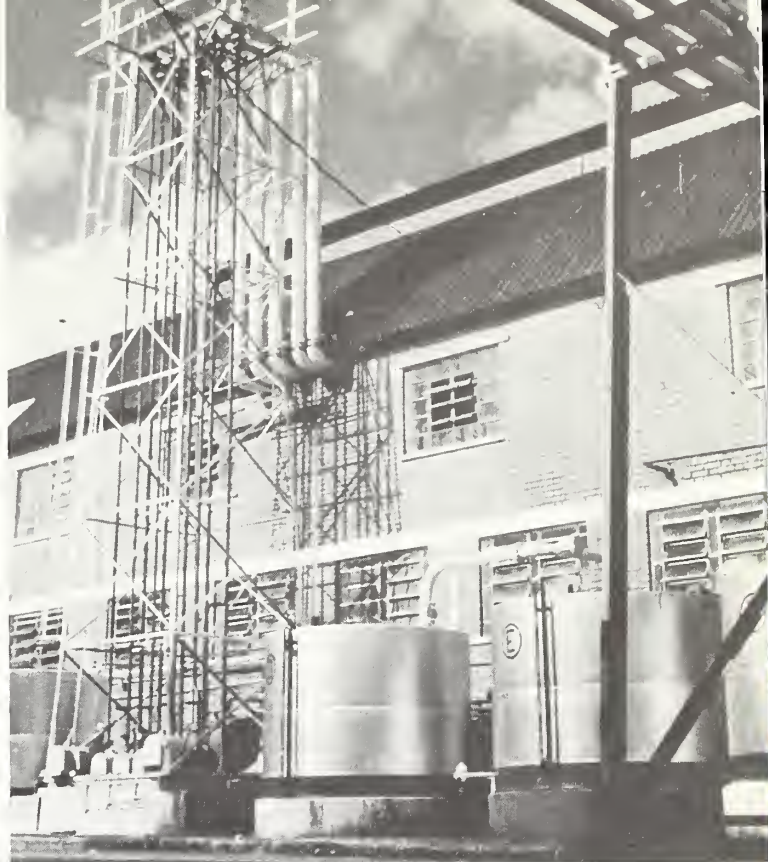
qualify for other government credits and incentives. The Government generally does not purchase castorseed itself. The price support program also serves as a base for credit for production loans from banks.

Most of Brazil's castorseed is processed in well-equipped and relatively efficient oil mills, often of the prepress-solvent type. In southern Brazil, where other oilseeds such as cottonseed, peanuts, and soybeans are more abundant than elsewhere in the country, the plants generally operate at capacity. But in other areas installed capacity is greater than the supply of castorseed and other oilseeds, so plants are idle at times.

Foreign marketing

Brazil's present boom in castor oil exports is chiefly attributable to high castor oil prices on the world market in late 1967, which encouraged large castor plantings in Brazil in 1968. Although world prices are now somewhat lower, Brazilian farmers continue to get relatively good prices for castorseed because of two factors: a reduction or elimination of State sales taxes by several States on castor oil exports and the introduction of a flexible foreign exchange rate in August 1968. The first benefits growers because oil exporters who do not have to pay taxes on exports can afford to pay more to farmers for castorseed. The second helps to keep castorseed prices more in line with oil export prices. Under the new system both buyers and sellers can calculate future Brazilian currency devaluations more accurately than in the past because they are small and are made every 30 to 45 days. Formerly, much speculation took place—usually to the disadvantage of the farmer.

Two government regulations also have effect on continued large oil exports and profitable prices. First, Brazil has prohibited the export of castorseed since the early 1960's so that Brazilian castorseed will not compete on world markets with Brazilian castor oil. Second, the Brazilian Government sets a minimum export price for castor oil. At present it is US\$236 per metric ton for Type 1, the export grade.



Above, partial view of the outside of a plant for processing castor oil. To the left, a man unbags castorseed into the storage system of the same processing plant. Below, equipment in the plant's pump-house for bulk loading of castor oil aboard ships.



Uruguay's Agriculture Is Having a Bad Year

By ZAFIRIO ZAFIRIADIS

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The year 1969-70 is proving to be a most difficult one for Uruguay's agriculture. Unfavorable weather conditions and problems in the livestock industry are the main reasons. There have been shortages of beef, sunflowerseed oil, and potatoes; a shortage of wheat is expected in 1970. Record rice and citrus outputs have been the bright spots in an otherwise bleak production picture.

Uruguay's economy is based on its agriculture, chiefly its livestock; of the nearly 40.8 million acres of arable land in the country, approximately 36.8 million acres are used for livestock. Agriculture provides about 95 percent of Uruguay's exports and 14 percent of the gross national product. Normally the country is self-sufficient in most farm products.

Livestock problems

Three body blows were dealt the livestock industry last year—a 4-month strike of packinghouse workers, a United Kingdom ban on imports of meat from Uruguay effective last June 14, and a shortage of finished cattle that resulted in a prohibition of slaughter from September 15 to October 15.

In the latter period 1,800 tons of beef was imported from Argentina to help supply domestic demand and stabilize prices. Currently, no packing plants in Uruguay are eligible to supply processed beef to the United States.

The present cattle population—estimated at 8.4 million head—shows some recovery from the 1965 drought but is still far below the average of the early 1960's.

Sheep numbers have also fallen off sharply in the past couple of years. They are estimated at 19.9 million head in 1969, down from 21.2 million in 1968 and a yearly average of 21.7 million in the 1964-68 period. Producers have been discouraged by delayed payments for slaughtered animals and wool, and some have had to sell stock to pay creditors.

Uruguay's meat-processing industry badly needs modernizing. It consists of three large older plants (built in 1918, 1924, and 1928) and 14 small plants of more modern construction. All the plants are considering remodeling and installation of new equipment. However, shortage of financing and the difficulty of importing equipment are handicapping the modernization process.

Reportedly, several agencies considering making loans to the industry for modernization are making broad studies of the possibilities of obtaining financing.

The strike of packing plant workers last spring and summer closed the larger plants. The small plants hired new personnel, continued to operate, and maintained Uruguay's exports. The strike started over management's decision to stop supplying each worker about 4.4 pounds of meat each day. Other difficulties between management and labor became involved, and discussions were at a standstill until the Government pressed for a settlement.

Some of the packing plants, mainly the three largest ones, were also recently in trouble in the livestock market because of their delays in paying farmers for previous purchases. The Government is taking steps to resolve this situation and avoid similar troubles in the future.

The Government is also working to strengthen the meat inspection service as a move toward getting approval to ship meat to both the United Kingdom and the United States. Fulltime veterinarian inspectors and assistants have been placed on the government payroll.

In general, the two essentials for bringing back a prosperous livestock industry in Uruguay are adequate incentives for producers and modernization of the processing industry.

Wool at 9-year low

Wool production for 1969-70 is expected to be 75,000 metric tons—the lowest since 1960-61 and only 4 percent higher than the flood-caused alltime low output in 1959-60.

Wool production has declined since 1966, mainly because farmers are discouraged with low prices, which they attribute to the high export tax on wool. Other reasons have been the high cost of labor and of the pesticides and antibiotics needed for keeping flocks in good condition.

According to a statement by the Rural Association and the Uruguayan Wool Secretariat (SUL), farmers receive only 45 percent of the international price. The export tax on wools was reduced last October 1; but since production costs have gone up more than the reduction it is likely that farmers will get less for their wool this year than last.

Wheat, corn, sunflowerseed—all down

The wheat crop is expected to be down about 300,000 to 350,000 metric tons, well below the 1970 estimated requirements of 415,000 tons; wheat imports will apparently be necessary. Wheat producers have been discouraged from planting the normal area by lack of a sound credit policy, low prices, and the possibility of obtaining better prices from crops other than wheat. Wheat area in 1969-70 is estimated to be about 800,000 acres compared with 1.3 million acres last year and the 5-year average of about 1.1 million acres.

The wheat shortage this year, however, is not likely to be as great as in 1968—when 200,000 tons of wheat were imported from the United States under P.L. 480. The 1967 crop was the smallest in 40 years—only 144,000 tons. Production recovered to 469,000 tons in 1968, and Uruguay exported about 100,000 tons of wheat.

Corn production has also fluctuated, reaching 129,000 metric tons in 1969 compared with 69,000 tons in 1968, when 100,000 tons were imported. Large stocks preclude the need for imports this year.

Sunflowerseed production in 1969 is estimated at 62,515 tons, 29 percent higher than the 48,600 metric tons produced in 1968. However, this 1969 production was not sufficient to cover the local oil requirements and the Government decided to import 20,000 tons of sunflowerseed from Bulgaria for crushing. Sunflowerseed production was 76,000 metric tons



Uruguay's citrus and rice crops set new records in 1969. Above, new citrus planting in northwest Uruguay, where frosts in 1965 and 1967 badly damaged many orchards. Above right, orange trees such as these are typical of more mature plantings in the same area. Right, rice fields in the eastern part of the country.



Uruguayan sheep, such as those at far left, are shown at various expositions held throughout the country each year. Near left, slaughter floor of one of the country's modern packing plants. Below, driving cattle to the loading station for rail shipment to slaughter plant.



in 1967; that year the Government imported 10,000 tons of sunflowerseed oil from Yugoslavia.

Rice and citrus records

Citrus fruit production in 1969 was a record 70,000 metric tons. The area in citrus fruits has expanded approximately 10 percent during the past 20 years, with the new plantations in Paysandú. At present nearly all plantations have recovered from the severe frosts of 1965 and 1967.

Three plants for the production of citrus juices have been built in recent years. In 1966 the Government created a Fruit and Vegetable Research Center to promote and improve fruit and vegetable production. Slight increases can be expected for citrus production, and improved quality could result in expanding exports.

Rice, the only crop that is 100 percent irrigated in Uruguay, has developed rapidly in the past 5 years. Production is now considerably in excess of domestic requirements, and the surplus is exported to markets throughout the world.

Rice production in 1969 was 134,000 metric tons, com-

pared with 104,000 tons in 1968 and an average of 93,000 tons during the past 5 years. Prospects are that there will be a further gradual increase in rice production as export markets are expanded. Exports during the past 4 years have ranged from 19,000 tons to 45,000 tons.

Potato production irregular

Potato production in Uruguay varies from year to year, mainly because of changing climatic conditions. The average production during the 1964-68 period was 118,000 metric tons, with production as low as 60,200 tons in 1967 and as high as 165,970 tons in 1965. The crop is harvested twice a year, fall and summer. The main crop is the summer one. All seed potatoes are imported from Northern Hemisphere countries, mainly Canada.

Because production in 1969 was insufficient to cover the requirement for local consumption, approximately 7,000 metric tons were imported from Argentina and Belgium in October. A small amount was also imported from the United States under P.L. 480.

Taiwan's 1970 Import Levels for Grains and Soybeans

The Board of Foreign Trade of the Ministry of Economic Affairs of Taiwan has established import levels for wheat, corn, soybeans, and barley for calendar year 1970. Import guidelines were first established in 1969 for wheat, corn, and soybeans; barley was added for 1970. The import levels announced for 1970 are as follows:

Commodity and end-users	Allocation
	<i>Metric tons</i>
Soybeans:	
Private crushers	405,000
Public enterprises	20,000
Designated public and private trading companies	75,000
Total	500,000
Corn:	
Private feed mixers	250,000
Public enterprises	74,000
Designated public and private trading companies	256,000
Total	580,000
Wheat:	
Private flour millers	380,000
Public enterprises	150,000
Total	530,000
Barley:	
All millers	94,800
Total	94,800

These levels, which are subject to an allowable variation of plus or minus 10 percent, will be reviewed in the light of the supply situation at the end of June. The 1970 guideline is 15 percent greater for wheat than the 1969 guideline, 9 percent greater for corn, and 2 percent greater for soybeans. The 1969 guidelines were in effect for only 8 months, however, and were not strictly adhered to in practice. Most users believe that the Government would be quick to increase the guidelines if shortages developed that increased consumer prices.

Specifically, the Board of Foreign Trade established these

principles governing the import of these and other bulk commodities in order to insure judicious use of foreign exchange, effect closer coordination between shippers and carriers, and avoid the harbor and inland traffic congestion which results from simultaneous heavy arrivals of bulk commodities.

Public and private enterprises which need to import bulk commodities are to submit to the Board of Foreign Trade their annual plans for supply of such commodities. Their calculations should contain the following particulars: Stock carried over from the previous year, amounts to be imported in the current year—with a breakdown by month or by shipments—ports of entry, and procurement agencies.

Applications by private enterprises are to be made through pertinent trade associations, which will, on the basis of the annual supply plans of their members, make necessary adjustments by negotiating with these members. The trade association will then compile annual aggregate plans for the supply of the various kinds of bulk commodities needed by its members and submit the plans to the Board of Foreign Trade.

Public enterprises are to entrust their procurements to a public trade agency.

When a particular kind of bulk commodity is needed by more than one end-user, procurements of the commodity are to be made jointly by all end-users.

In the case of agricultural products, imports are to be coordinated with domestic production so as to bring about balance between supply and demand. Cereal and grain dealers must purchase locally produced soybeans and corn before requesting imports.

On the basis of the plans approved by the Board of Foreign Trade, settlements of foreign exchange will be made in separate lots during the year for the financing of the imports.

And, finally, upon approval of supply plans, the Board will provide the Ministry of Communications, the Overseas Joint Shipping Office, and the Keelung and Kaohsiung Harbor Bureaus with copies of the notification of the approval.

—Based on dispatch from NORMAN J. PETTIPAW
U.S. Agricultural Attaché, Taiwan

New Mid-America Council Formed

There is likely to be more traffic and fewer traffic jams on the export road out of the Midwest, thanks to the efforts of a new member of the market development family—the Mid-America International Agri-Trade Council (Mid-America or MIATCO)—an organization formed by the departments of agriculture of 12 Midwestern States. Mid-America, using a product-by-product approach, will supplement and add new dimensions to the present overall market development program, which involves the efforts of the Foreign Agricultural Service (FAS) of USDA, some 67 private trade cooperator groups, various State agencies, agribusiness firms, and other groups who engage in export expansion activities.

Teamwork—ticket to effectiveness

Together the 12 Midwest States—Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin—account for more than 45 percent of U.S. agricultural exports. Although there has been some informal cooperation in the past among State governments involved in agricultural export promotion, the slump in U.S. agricultural exports over the past 2 years convinced Midwest agricultural leaders of the need for teamwork in order to develop exports from their region. As early as May 1968 the secretaries of agriculture from 10 Midwestern States began to discuss the formation of a council to assist all participating States in developing uniform working programs for agricultural export development which would be coordinated through one central office. Mid-America's headquarters opened April 1 in Chicago and the newly appointed executive director, Wolfgang Grundei, will utilize his experience in agricultural, industrial, and consumer product export sales to make it a communications hub for export activity—an effective contact point for foreign buyers and domestic sellers.

Off to an ambitious start, the Mid-America group is already well into a survey of the Midwest agribusiness industry, developing a list of actual and potential exporters and their products. This information will be added to a product bank which now includes about 420 interested firms offering some 140 different products. The information in Mid-America's product bank will be added to a computerized trade referral system being set up by FAS which contains both U.S. firms and the products they wish to export as well as a list of foreign importers and the commodities they deal in. In addition to channeling information in the central trade referral system to Midwest exporters, Mid-America, working with cooperators, will disseminate trade inquiries, foreign marketing opportunities, and feedback information on quality and other problems that affect sales to farmers, handlers, processors, and others in the marketing system. The group also hopes to interest additional Midwestern firms in joining existing cooperators, and, possibly, to find new commodities with sufficient export potential to justify the formation of new private trade cooperator groups.

Besides stimulating firms now active in the export fields to increase their activities, Mid-America will encourage new firms to enter the export field and will act as an adviser to smooth the bumps old and new exporters may encounter on the export road. Mid-America will provide on-the-spot advice to firms on the technical aspects of exporting (including information about tariff requirements of foreign markets), help



coordinate trade inquiries, maintain a list of firms who provide export services, and consult and work with the State departments of agriculture, marketing officials, extension services, and other groups to arrange meetings with private firms to generate interest in exporting. Mid-America will also locate firms willing to “customize” products for specified markets and will assist the States in compiling exporter lists, directories, and other information for the export trade.

To this end Mid-America has published an export handbook for the use of the trade, which outlines the importance of agricultural and food exports to the nation and the Mid-America States, methods of selling overseas, U.S. export financing methods, services provided by specialized agencies in foreign trade, major export service agencies in the Mid-America States, a glossary of terms used in international trade, and an agricultural profile of each of the participating States.

Mid-America and market development

As part of its activities Mid-America will assist FAS and cooperating commodity trade associations in promoting Midwest food exports in mutually agreed-to coordinated market development activities abroad. An FAS coordinator will be assigned to work closely with the Chicago office. For some time various States have had foreign market development programs of different types. Since the fall of 1966, 23 State departments of agriculture, including several from the Midwest, have participated in USDA promotional activities such as food trade fair shows in Europe, the Far East, and the Caribbean. Representatives of State groups have, in some instances, accompanied private firms from their States to the trade fairs and assisted them in handling trade contacts and answering questions on State production, processing, handling, and transportation matters. As a result of these efforts increased foreign interest has been kindled in a number of products from the Midwest, such as specialty meats and cheeses, breeding cattle, horseradish, and a wide variety of convenience food items. Through these efforts brands of some medium-sized and small processors were introduced to foreign buyers.

Although single State efforts have been effective, there are financial and other drawbacks which serve to limit them. Mid-America, representing a united front for all participating States in such promotional activities, will be able to expand single State efforts twelvefold, utilizing the vast services at its disposal.

Plans are on the drawing board for Mid-America participation in the Overseas Buyers Conference, part of the Super Market Institute convention, which will be held in Houston May 3-6. Here, foreign buyers will receive their introduction to Mid-America—promoting the products of the Midwest.

Further information may be obtained by writing to Mid-America's regional office, 300 Washington Street, Chicago, Ill., or by contacting Alex Bernitz, Coordinator for Export Services FAS, USDA, Washington, D.C.



Fresh fruit, citrus juice, and a variety of canned foods were among the U.S. items displayed in recent POP promotions held in the Norrmalms and Tempo-Ahlens chains.



"Instant Noodle" Captivates Taiwan

Sales of "instant noodle," a new product in Taiwan, have soared as the result of point-of-purchase (POP) promotions sponsored jointly by Western Wheat Associates and the National Food Company of Taiwan.

The POP promotions were held consecutively in seven supermarkets in the four major cities of Taiwan for 4 days each, during the period from June 25 to August 3. Sales of "Sun Lih Men" instant noodles increased from 22,000 bags per day before the promotion to 50,000 bags per day 1 month after the promotion ended in August 1969. By December 1969, sales had skyrocketed to 180,000 bags per day—a 600-percent increase in 6 months.

The success of this venture brought three more companies into the market, increasing production capacity to 400,000 bags a day—a market for \$2.4 million worth of flour per year.

Noodles have been a traditional food in most of the Far East for many years—in rate of consumption they are second only to rice as a staple food. The com-

mon oriental noodle is made from dough which is either cut or stretched into long thin ribbons. It can be boiled and eaten at this stage or dried for subsequent cooking. The first really new noodle product, called "instant ramen," was developed 11 years ago in Japan and is made with a blend of medium-protein hard winter and soft white wheats. As the name implies, it is a convenience product. In 1968 Japan produced 3½ billion bags of "instant ramen," using 250,000 tons of flour.

After learning of the phenomenal sales growth of "instant ramen" in Japan, entrepreneurs in Taipei established Taiwan's first instant noodle plant—the National Food Company, Inc.—in September 1968, and shortly thereafter embarked on a promotion program. After 9 months, sales had grown slowly from an initial 15,000 bags per day to 22,000 bags. In early 1969 Wheat Associates agreed to cooperate with the company in a POP promotion and via this advertising medium "instant noodle" was promoted and established as a success in the market.

Swedes Shop For American Foods



From Malmo to Kiruna U.S. food products are appearing on Swedish tables as a result of point-of-purchase (POP) promotions in thousands of self-service stores. So far this year American foods have received top billing in members of nine Swedish retail chains including over 5,000 self-service stores and 149 department stores. An additional chain is planning to carry on POP promotions in its 300 stores in May.

Participating stores display a wide variety of U.S. products. As a colorful banner put it, "Modern food—American delicacies and sunripe vegetables from California to Florida."

Since half of the Swedish women work outside the home, interest runs high in U.S. convenience foods such as canned fruits and juices, refrigerated pastry dough products, frozen foods, and snack items. Also in great demand is fresh produce from the United States, including vegetables, citrus, and other fruits such as grapes, apples, and pears.

Samples of products ranging from citrus juices to snacks are offered to customers in the stores to introduce them to tasty new items.

Sweden, with its steadily increasing population and rising gross national product, is a rapidly expanding market for food products, and the Swedish retail market for processed foods is very competitive.

Various food products from the Mediterranean area, South America, Japan, and other exporting countries are also making inroads into the Swedish market. However, thanks to POP promotions such as the ones being held this year, quality-conscious Swedish consumers are keeping the cash registers ringing with sales of U.S. products.

Brazil Joins IIC

Brazil, the largest cotton exporter in South America and second only to the United States in the Western Hemisphere, has joined the International Institute of Cotton.

This brings IIC's membership up to a total of eight exporting countries. Other members are the United States, Mexico, India, Spain, Tanzania, Uganda, and Greece. Members contribute \$1.00 per bale of cotton exported to Western Europe and Japan; these funds are used to finance IIC cotton research and promotion programs.

CROPS AND MARKETS SHORTS

Weekly Rotterdam Grain Price Report

Current prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago, are as follows:

Item	March 25	Change from previous week	A year ago
	<i>Dol. per bu.</i>	<i>Cents per bu.</i>	<i>Dol. per bu.</i>
Wheat:			
Canadian No. 2 Manitoba	2.01	0	1.93
USSR SKS-14	(¹)	(¹)	1.85
Australian Prime Hard	1.87	0	1.86
U.S. No. 2 Dark North- ern Spring:			
14 percent	1.83	0	1.89
15 percent	1.94	-1	1.93
U.S. No. 2 Hard Winter:			
13.5 percent	1.78	0	1.82
Argentine	(¹)	(¹)	1.80
U.S. No. 2 Soft Red Winter	1.67	0	1.67
Feedgrains:			
U.S. No. 3 Yellow corn	1.54	-1	1.36
Argentine Plate corn	1.52	0	1.38
U.S. No. 2 sorghum	1.51	0	1.32
Argentine-Granifero	1.33	0	1.16
Soybeans:			
U.S. No. 2 Yellow	3.02	-1	2.91

¹ Not quoted.

Note: All quoted c.i.f. Rotterdam for 30- to 60-day delivery.

World Breadgrain Crops Down

The third estimate for world production of wheat and rye during 1969 totals 322 million metric tons, on the basis of the latest information available to the Foreign Agricultural Service. This would be 5.2 percent lower than the record 1968 crop of 340 million tons.

Total planted area at 583,500 acres is down 4.8 percent from the record of 1968. Yields of both breadgrains were down slightly from the record 1968 levels to 20.2 bushels per acre for wheat and 22.7 bushels for rye.

WORLD WHEAT PRODUCTION

Country	1968	1969	Change
	<i>1,000 metric tons</i>	<i>1,000 metric tons</i>	<i>1,000 metric tons</i>
United States	42,899	39,705	-3,194
Canada	17,686	18,623	+937
Argentina	5,740	6,800	+1,060
Australia	14,805	10,995	-3,810
France	14,985	14,535	-450
Other EC	17,411	17,023	-388
USSR	76,600	65,200	-11,400
Mainland China	21,000	22,300	+1,300
India	16,540	18,652	+2,112
Pakistan	6,477	6,711	+234
Subtotal	234,143	220,544	-13,599
Others	73,869	71,322	-2,547
World total	308,012	291,866	-16,146

World wheat production in 1969 is currently estimated at 292 million metric tons, 5.2 percent below the record 308 million of 1968 but still 5.3 percent above the 1967 crop. World wheat area is estimated at 530 million acres during 1969, a decrease of 21 million from the previous year (see table).

The reduction of output in only three countries—the United States, Australia, and the USSR—was greater at 18.4 million tons than the total reduction of 16.2 million for the world. The decrease for the United States was mainly due to a controlled reduction in acreage. In Australia and the USSR, adverse weather was the principal reason.

World rye production in 1969 is estimated at 30.6 million metric tons, a decline of 4.3 percent. Acreage—at 53 million acres—was down 3.8 percent.

The current outlook for 1970 wheat production in several of the Northern Hemisphere countries indicates that production may decline again. The U.S. acreage allotment is at the lowest level in recent history. Canada has announced a new program that is intended to drastically reduce the area planted. Winter wheat acreage in France is down about 10 percent from a year ago, but it is at about the same level as it was a year ago in Germany. France and Italy expect increases in durum area, although soft wheat area should decrease.

Plantings in the USSR were late and less than planned. However, there was generally good snow cover, and winter weather has not been so severe as a year ago. Furthermore, the spring wheat is yet to be planted and this generally accounts for about 60 percent of production.

East European prospects are mixed. Dry weather, which continued through October in the northern countries, delayed seeding in most of these countries. Bulgaria was particularly short of moisture. Yugoslavia's area is reportedly down about 10 percent, whereas Hungarian prospects are somewhat better than they were a year ago.

Communist China had an average harvest in 1969 and—barring below-average weather and radical policy changes—can be expected to improve on this in 1970.

Australia has already announced that next year's wheat delivery quota will be reduced to 318 million bushels compared with 357 million this year, a decision which is expected to curb production in that country.

Major Exporters' Grain Stocks Up

Stocks of grain in the United States, Canada, Argentina, and Australia on January 1, 1970, were at a record 258 million metric tons, 8 percent higher than a year earlier.

Wheat stocks gained 14 percent for the year and were 7 percent above the previous record of 1961. Barley stocks were also at a record, up 18 percent. Oats gained 10 percent and rye 21 percent. Corn stocks were little changed.

Stocks of the five grains in the United States were 5 percent above the January 1, 1969, level. U.S. stocks of wheat gained 13 percent and comprised only 40 percent of the 4-country total, as compared with 59 percent in 1961. U.S.

supplies of barley and oats each gained 13 percent; corn was up 2 percent. In addition, the United States held 17.6 million tons of sorghum, a decrease of 7 percent.

Canada held record wheat and barley stocks, up 22 and 24 percent, respectively. Australia's wheat supplies rose 10 percent to a new record. Argentine stocks, by contrast, declined 15 percent.

A detailed table and analysis appear in the March *World Agricultural Production and Trade—Statistical Report*.

ESTIMATED GRAIN STOCKS IN PRINCIPAL EXPORTING COUNTRIES

Country	Wheat	Rye	Barley	Oats	Corn	Total
	Million metric tons	Million metric tons	Million metric tons	Million metric tons	Million metric tons	Million metric tons
United States:						
1969	36.6	0.6	8.1	11.4	107.5	164.2
1970	41.6	.8	9.1	12.8	109.6	172.8
Canada:						
1969	30.7	.4	8.0	5.1	1.5	45.7
1970	37.6	.5	9.9	5.9	1.5	55.3
Argentina:						
1969	6.8	.3	.5	.4	1.7	9.8
1970	6.5	.4	.5	.3	.6	8.3
Australia:						
1969	15.9	(¹)	1.8	2.4	(¹)	20.0
1970	17.4	(¹)	2.2	2.2	(¹)	21.8
Total:						
1969	90.0	1.3	18.4	19.3	110.8	239.8
1970	102.8	1.6	21.7	21.2	111.7	258.3

¹ Production small and stocks of minor importance.

World Oat Production Down Slightly

The world oat harvest in 1969 totaled 50.6 million metric tons, just under the 1968 level. The North American and the East European crops were little changed. West European production, however, was up 4 percent and Soviet Union production, 3 percent.

A detailed table and analysis appears in the March *World Agricultural Production and Trade—Statistical Report*.

OAT PRODUCTION IN SELECTED AREAS

Area	1968	1969 ¹
	1,000 metric tons	1,000 metric tons
Canada	5.6	5.7
United States	13.6	13.8
Western Europe	12.7	12.2
Eastern Europe	5.2	5.1
USSR	9.7	10.0
Other	4.0	3.8
Total	50.8	50.6

¹ Preliminary.

Danes To Ban Corn Imports for Feed

The Danish Parliamentary Foreign Currency Committee has approved a proposal by the Agriculture Minister to ban all corn imports for feed use beginning July 1, 1970, and continuing through April 1, 1971. This ban will chiefly affect poultry producers, who will now have to use more surplus domestic barley. An embargo on the import of all feedgrains other than corn already exists; it has now been extended to August 1, 1971.

During the fiscal year 1968-69, Denmark imported about 162,000 metric tons of corn, about two-thirds of this for feed use. Corn imports from the United States during this period amounted to about 121,000 tons.

World Barley Crop a Record

World barley production in 1969 was a record 113.8 million tons, up 1 percent, as world area gained 3 percent to 171.9 million acres.

Canada produced a record crop, up 16 percent. The U.S. crop was little changed. The barley harvest was up 3 percent in Western Europe and 6 percent in Eastern Europe, as yields held steady. The Soviet crop increased only slightly.

A detailed table and analysis appear in the March *World Agricultural Production and Trade—Statistical Report*.

BARLEY PRODUCTION IN SELECTED AREAS

Area	1968	1969 ¹
	1,000 metric tons	1,000 metric tons
Canada	7.1	8.2
United States	9.2	9.1
France	9.1	9.3
West Germany	5.0	5.1
Denmark	5.0	5.3
Spain	3.7	3.9
United Kingdom	8.3	8.8
Eastern Europe	8.5	9.0
USSR	24.2	24.3
Africa	3.8	2.6
Asia	19.5	18.4
Other	9.8	9.8
Total	113.2	113.8

¹ Preliminary.

Spain's Grain Trade Shrinking

Spanish exports of wheat during July-December 1969 amounted to about 215,000 metric tons, compared with 158,000 tons during the same period a year earlier. The outlook for the last half of the current fiscal year, however, is for shipments smaller than those of the first half. The main reason for the anticipated decline is that the Government is diverting 500,000 tons to the mixed feed industry for use during January-June 1970. Stocks by June 30, 1970, are expected to be down to a normal 3-month supply.

Corn imports during the first half of the fiscal year 1969-70 amounted to nearly 1.4 million tons, a 12-percent increase over the same period a year ago. During the last half of the current fiscal year, however, imports of only about 250,000 tons are expected because of the channeling of surplus domestic wheat and barley into feed uses. Thus, calendar year 1970 feedgrain imports may drop by a half million tons for the second year in succession.

Review of previous years

Spanish wheat exports during the fiscal year 1968-69 increased 16 percent over a year earlier. Rice shipments, however, declined about 10 percent. Total feedgrain imports during the fiscal year 1968-69 were down nearly one-half million tons from a year earlier.

• *Wheat.* Declines in wheat shipments to the Western Hemisphere were offset by increased exports to West Euro-

pean destinations. Takings by Asian and African countries increased significantly. A large drop in exports to Morocco was more than offset by increased shipments to the UAR.

Spain has been a net exporter of wheat since 1966-67 despite the Government's efforts to divert acreage to feed-grains and its granting of subsidies to encourage utilizing surplus wheat as feed.

• **Rice.** Total rice exports declined about 10,000 tons during the fiscal year 1968-69. Increased shipments to East Europe and Africa were more than offset by significant declines to Western Europe and Asia. East Europe took 70 percent of Spain's exports during 1968-69.

• **Feedgrains.** Corn is the major feedgrain imported, accounting for over 95 percent of the total in 1968-69. In that year sorghum was a poor second, and barley and oats imports dwindled to only minor quantities. The decline in corn and sorghum imports can be attributed mainly to the government policies that have encouraged the use of surplus domestic wheat and barley as feed and to success in expanding feed-grain production through high price supports.

SPAIN'S GRAIN TRADE

Commodity	1967-68 ¹		1968-69 ¹		1969-70 ^{1 2}	
	Imports	Exports	Imports	Exports	Imports	Exports
	1,000	1,000	1,000	1,000	1,000	1,000
	metric	metric	metric	metric	metric	metric
	tons	tons	tons	tons	tons	tons
Wheat	(³)	542	(³)	628	(³)	350
Corn	2,437	(³)	2,208	(³)	1,600	(³)
Sorghum	194	(³)	42	(³)	(³)	(³)
Rice	(³)	93	(³)	83	(³)	(⁴)

¹ Fiscal year. ² Forecast. ³ Insignificant quantities. ⁴ Not available.

South African Grain To Recover

Based on growing conditions as of early March, South Africa is expected to harvest corn and sorghum crops second only to the records established in 1967: corn will be 8 million metric tons, compared with the 9.6 million harvested in 1967; sorghum will be 500,000 metric tons, compared with the 845,000 tons in 1967. Crops of this magnitude would mean exportable surpluses of about 3 million tons of corn and 225,000 tons of sorghum.

Information currently available is sufficient to indicate that South Africa's net corn trade during the fiscal year 1969-70 (July-June) will be near zero: imports of about 560,000 tons of white corn from Rhodesia will about equal exports of white and yellow corn to traditional markets. Sorghum trade has been insignificant. Wheat and rice imports were less than a year ago.

The main reasons for the reduced fiscal 1970 performance were 2 consecutive years of drought that cut corn and sorghum harvests, even with wheat production at record levels.

SOUTH AFRICAN GRAIN TRADE

Commodity	1967-68		1968-69		1969-70 ¹	
	Imports	Exports	Imports	Exports	Imports	Exports
	1,000	1,000	1,000	1,000	1,000	1,000
	metric	metric	metric	metric	metric	metric
	tons	tons	tons	tons	tons	tons
Corn	(²)	2,949	(²)	2,048	560	550
Sorghum	(²)	168	(²)	251	(²)	4
Rice	84	(²)	65	(²)	75	(²)

¹ Forecast. ² Insignificant quantities.

U.K. Levy Arrangements for Eggs

The British Egg Marketing Board, following recommendations by the Reorganization Commission for Eggs will be replaced next year and the egg subsidy scheme phased out by 1974. These actions will leave the British egg producers without their former safeguards against importation of low-priced eggs. Consequently, the U.K. Minister of Agriculture announced that discussions had been completed with overseas egg suppliers and that the United Kingdom intends to introduce minimum import prices for shell eggs and egg products effective March 31, 1970. Parliament is expected to give the authorization for this action under the Agriculture and Horticulture Act of 1964.

The minimum import price for shell eggs will vary according to the weight of the eggs. In the first year of operation, March 31, 1970, to March 29, 1971, the minimum import prices for eggs (c.i.f. and duty-paid basis) will be as follows:

Weight specif. per 120 eggs	Nearest equiv. U.S. size	Equiv. min. price/doz. Cents
Not over 11 lb.	Peewees	21
Over 11 lb. but not over 12½ Small		24
Over 12½ but not over 14 Small to medium		27
Over 14 but not over 15½ Medium to large		29
Over 15½ but not over 17 Large to extra large		32
Over 17 Extra large to jumbo		35

After March 29, 1971, minimum import prices for the 3 lower grades will increase by 2 cents and those for the higher grades by 2.1 cents per dozen. These increases will give added protection to the U.K. industry when the present British Marketing Board is replaced by a new central authority and the fixing of basic producer and wholesale prices is discontinued. Effective for the year beginning March 31, 1970, the minimum import price for liquid and frozen eggs will be \$520.00 per metric ton and that for dried eggs \$1,559 per metric ton on a c.i.f. duty-paid basis.

These minimum prices will be levied on imports from all suppliers with the exception of the following cooperating countries:

For shell eggs—Denmark and the Irish Republic.

For egg products—Australia, New Zealand, South Africa, and the Netherlands.

These cooperating countries may, however, be subject to specific country levies if their offer prices should fall below the established minimum price.

Subject to certification by the Agricultural Departments, hatching eggs will be excluded from the minimum import prices. Eggs for processing will not be exempt from the newly-established minimum price regulations.

Special Japanese Beef Import Quota

Japan has issued a special 500-ton beef import quota, to be administered by its Ministry of Agriculture and Forestry (MAF). Applications by interested hotels for quota allocations were to be made to the Ministry of International Trade and Industry by March 19, 1970, through one of the 15 authorized meat importers.

Upon arrival in Japan, the quota meat has to be delivered to the hotel holding the quota allocation and cannot be sold by the importer to other parties.



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Importers will have until the end of July to convert the quota allocations into import licenses. Imports must be made by January 1971.

Applications for quotas will be approved automatically if the total requested by all hotels does not exceed 500 tons. Should the requested total exceed that amount, the historical beef utilization rate will serve as the basis for allocating quotas to individual hotels.

MAF indicates willingness to consider the issuance of additional beef quotas during the next Japanese fiscal year if requested by international hotels.

EC Subsidies on Fresh Fruits, Nuts

The first European Community-wide export subsidies for fresh fruits and nuts were established recently; they are:

	<i>U.S. cents per pound</i>
Fresh sweet oranges	1.52
Fresh mandarins87
Fresh lemons65
Fresh table grapes	7.26
Shelled almonds	1.45
Walnuts in the shell	2.31
Shelled walnuts	4.08
Shelled hazelnuts	1.45

The subsidies, which are not differentiated by destination, are applicable from March 1, 1970, until May 31, 1970, except for those on mandarins, which are applicable until March 31, 1970.

Argentine Canned Fruit Pack Down

Hail and frost reduced 1970 Argentine production of canned deciduous fruit. The pack is estimated to be 1.34 million cases, equivalent 24/2½'s, 5 percent less than the 1969 pack of 1.4 million cases. Canned peach production is estimated at 1.13 million cases, 8 percent below 1969. Frost damage during blossom was mainly concentrated in the San

Pedro peach area in the Province of Buenos Aires. Late-season hail damage increased quantities of fruit utilized for fruit salad and fruit cocktail. Production of fruit salad and cocktail is estimated at 127,000 cases.

ARGENTINE CANNED FRUIT PRODUCTION

Item	1967	1968	1969	1970
	1,000	1,000	1,000	1,000
	<i>cases</i> ¹	<i>cases</i> ¹	<i>cases</i> ¹	<i>cases</i> ¹
Peaches	1,994	2,205	1,225	1,127
Fruit salad and cocktail	220	245	98	127
Pears	98	98	49	44
Apricots	22	24	24	27
Cherries	17	17	15	17
Total	2,351	2,589	1,411	1,342

¹ Cases of equivalent 24/2½'s.

Crops and Markets Index

Dairy and Poultry

19 U.K. Levy Arrangements for Eggs

Fruits, Nuts, and Vegetables

20 EC Subsidies on Fresh Fruits, Nuts
20 Argentine Canned Fruit Pack Down

Grains, Feeds, Pulses, and Seeds

17 Weekly Rotterdam Grain Price Report
17 World Breadgrain Crops Down
17 Major Exporters' Grain Stocks Up
18 World Oat Production Down Slightly
18 Danes To Ban Corn Imports For Feed
18 World Barley Crop a Record
18 Spain's Grain Trade Shrinking
19 South African Grain To Recover

Livestock and Meat Products

19 Special Japanese Beef Import Quota